

**CITY OF PASCO**  
**Franklin County, Washington**  
**January 1, 1992 Through December 31, 1992**

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**Schedule Of Findings**

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1. City Officials Should Accurately Prepare The Grantee Performance Report

The Grantee Performance Report for the Community Development Block Grant was not accurately prepared for 1992. The City of Pasco receives federal financial assistance from United States Department of Housing and Urban Development (HUD). This assistance is in the form of a Community Development Block Grant (CDBG) (CFDA 14.218). A requirement of the grant is that the city prepare a Grantee Performance Report (GPR) that shows the CDBG activity for the year. The CDBG activity is accounted for in the CDBG Fund and the Community Development Revolving Loan Fund. The GPR includes financial and statistical information. Our review covered the reported financial information. During our reconciliation of amounts reported on the GPR to the amounts recorded in the accounting records we noted several errors.

- a. The GPR reported \$7,028 more in expenditures than was reported in the accounting records for both funds.
- b. The GPR did not report CDBG fund program income of \$7,653.83.
- c. The GPR did not report all activity for the revolving loan fund. This included a) revenues of \$11,165 that should have been reported as program income and b) expenditures of \$25,124 that was funded from program income that had accumulated in the revolving loan fund.
- d. The GPR did not report CDBG fund revolving abatement account revenues of \$1,068.

The above condition came about because the block grant coordinator prepared the GPR with interim accounting information from the finance department that did not agree with the final accounting reports. This was done as the GPR is due to HUD before the city staff closes the accounting books and produces the final accounting reports. The block grant coordinator did not understand that the accounting information could be adjusted after year end until the accounting books were closed. Thus he did not keep documentation of the reconciliation of the amounts reported on the GPR to the amounts reported in the interim accounting reports obtained from the finance department. The amounts of revolving abatement account repayment were credited to expenditures instead of being credited to revenues in the accounting records. Thus the block grant coordinator did not treat the repayments as program income.

The above errors resulted in information reported on the GPR to the HUD not being an accurate representation of the actual activity for the CDBG.

We recommend during future years that the amounts reported in the Grantee Performance

Report be reconciled to the amounts reported in the accounting reports and the documentation of this reconciliation be retained for audit. We also recommend that an amended GPR be submitted to HUD if the amounts reported in the final accounting reports are different from the amounts reported in the GPR.

2. The City Should Repay Interfund Loans

The city has not made any principal or interest payments on interfund loans made in 1983. No principal payments have been made on interfund loans made in 1990.

In the early 1980s, the city decided to redesign the golf course and develop part of the property into commercial and residential sites. Funding for redesign of the golf course included long-term debt of \$640,000 of limited tax general obligation bonds and \$237,220 of interfund loans. Through interfund loans the city raised \$550,000 in 1990 to develop the residential sites. The 1983 bonds were redeemed by earmarking tax receipts for that purpose, but the interfund loans have not been paid. The city plan of repaying the interfund loans relied on the sale of commercial and residential sites.

None of the commercial property has yet been sold. Currently the city staff is not actively trying to sell the commercial property. Some residential sites have sold allowing partial payment of interest to the lender funds for the 1990 loans.

RCW 43.09.210 states in part:

... no department ... Shall benefit in any financial manner whatever by any appropriation or fund made for the support of another.

The BARS manual issued by the State Auditor regulates interfund loans. BARS Vol 1, PT 3, CH 4, page 1, paragraph 4 says:

The term of the loan may continue over a period of more than one year, but must be "temporary" in the sense that no permanent diversion of the lending fund results from the failure to repay by the borrowing fund.

Making an interfund loan without adequate provision for repayment in a timely manner constitutes a benefit to the fund receiving the loan, and amounts to a permanent diversion of the lender fund's assets.

We recommend the city only make interfund loans to funds that have a way to repay the loan in a timely manner. We further recommend the city review these interfund loans to see if other means of repayment are available.